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SUMMARY RECORD OF THE 34th MEETING

Held at Headquarters, New York,
on Monday, 17 June 1991, at 6 p.m.

President: Mr. PIRIZ-BALLON (Uruguay)

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The meeting was called to order at 6.15 p.m.

OTHER FUNDS AND PROGRAMMES (continued):

UNITED NATIONS CAPITAL DEVELOPMENT FUND (continued) (DP/1991/43)

1. Mr. LIU Lanke (China) said that his delegation had carefully read the report on the United Nations Capital Development Fund (DP/1991/43). It noted that, over the past two years, UNCDF had received funds in various forms, resulting in a regular increase in pledges. It should therefore be possible to expand the assistance programme, and his country wished to thank UNCDF for its efforts in that direction.

2. UNCDF assistance currently focused on the least developed countries (LDCs), with a view to helping them obtain loans and expand their production capacity in such a way as to increase their income. That procedure was consistent with those countries' essential requirements and should help to reduce their current level of poverty. His Government attached great importance to the LDC issue and to the activities of UNCDF in that field but noted that the Fund's capacities remained limited. His country contributed to the Fund so far as it was able and supported its work. It was also exploring the possibility of expanding its programme of assistance in order to facilitate the development of LDCs by the application of appropriate technologies.

3. His country would continue to support the Fund's assistance activities and hoped that UNCDF would continue to strengthen its cooperation with all the agencies responsible for development and the struggle against poverty.

4. Mr. TANTOT (France) said that his country, which had always provided specific financial support to UNCDF, had demonstrated its interest in the Fund's activities by assigning young administrators both to Headquarters in New York and to the field. It appreciated the Fund's concrete and directly operational role and endorsed the priority which it accorded to the LDCs. In the opinion of his delegation, to increase the resources of UNCDF would be to strip it of its identity. UNCDF was a funding tool; it provided grants but was also beginning to award low-interest loans. Its approach to risk was essentially a financial and micro-economic one, even if its decision incorporated other data relating to the development trends of the recipient countries. To reduce UNCDF to the purely accessory function of dispensing funds for projects designed by other bodies, themselves driven by concerns of a macroeconomic or sectoral nature, would therefore be a step in the wrong direction.

5. The current results of the Fund were very impressive. It was clear that the financial function of UNCDF could be further emphasized. Activities could be diversified in order to encourage, for example, the commitment of risk capital and the establishment of guarantee arrangements, particularly in countries opting to develop the private sector of their economies. However,

(Mr. Tantot, France)

such developments were possible only in the framework of a specifically designed and responsible structure.

6. UNCDF was an ideal channel for multi-bilateral cooperation activities between UNDP and the Caisse Centrale de Coopération Economique. His country had wide experience in that field in the context, for example, of the decentralized development loans provided by its Ministry of Cooperation. The establishment of harmonization and reciprocal support between those mechanisms and those of UNCDF would be of great benefit.

7. His country believed that any tampering with UNCDF would be harmful and counter-productive. Nor did it favour the Fund's integration into the Bureau for Programmes and Policy. UNCDF must maintain its independent capacity for analysis and freedom to evaluate project risks. It was therefore essential that UNCDF report directly to the Administrator and be guided by his decisions in the event of any need to arbitrate differences of opinion between the different UNDP units involved in its field of competence.

8. Mr. WHANNOU (Observer for Benin) emphasized the importance of the activities of UNCDF as the only institution in the system which, by its provision of aid in the form of capital, allowed the developing countries themselves, including the LDCs, to carry out small-scale infrastructure projects and extended credit for agricultural production and small enterprise development.

9. His country appreciated the Fund's effectiveness in executing projects in areas such as village water supply, rural transport routes and others in the agricultural production and integrated rural development sectors. Such cooperation showed that UNCDF action was directed towards the most disadvantaged social groups. It was for that reason that his country supported the Fund's activities, which were entirely consistent with the recommendations contained, inter alia, in the Programme of Action for the Least Developed Countries for the 1990s.

10. The list of countries receiving UNCDF assistance had expanded steadily since it was established as a result, among other things, of the expansion of the LDC category. The Fund should therefore have at its disposal sufficient resources to strengthen the impact of country programmes on the reduction of poverty, in accordance with the priorities accorded by UNDP to human development in the fifth programming cycle.

11. His country supported the proposals in the report of the Administrator, including that relating to a 20 per cent annual increase in UNCDF resources, bearing in mind the key features of UNCDF operations, i.e. coordination, Government execution and grass-roots participation, the objective being to build up national management and administrative capacities.

(Mr. Whannou, Observer, Benin)

12. His country looked forward to understanding on the part of the major donor countries and hoped that others would join with them, given the importance of the Fund, which, in the opinion of his delegation, should maintain its independence.

13. Mr. VAN UFFORD (Netherlands) said that the improvement of social and economic conditions for accelerated growth and development in the LDCs, which was the principal objective of UNCDF, constituted one of the priorities of his country's development policy. It was for that reason that it had supported the Fund, and would continue to do so, and was also pleased by the Fund's emphasis on national execution and grass-roots participation.

14. While welcoming the increase in contributions to the Fund during the last decade, his delegation nevertheless noted that the increase was insufficient to compensate for the deficit of the 1980s. It therefore emphasized the importance of the recommendation in the Programme of Action for the Least Developed Countries for the 1990s whereby donor countries should consider a 20 per cent annual increase in overall funding of UNCDF during the current decade.

15. His delegation would also like some explanation of the statement, in the section of document DP/1991/43 concerning evaluation activities, to the effect that, judging by the results of 27 in-depth evaluation missions, most of the projects achieved their immediate objectives and responded directly to the needs of low-income groups. That conclusion seemed surprising, given the weaknesses identified during the evaluations. If UNCDF could obtain such results in spite of the lack of pre-project data and studies, difficulties in the logistics of procurement and construction, shortcomings in project management, unrealistic schedules and inadequate consideration of operation and maintenance costs in order to ensure long-term viability, the future really did look promising. His delegation would like to know the views of the Executive Secretary in that regard.

16. Mrs. LONGINOTTI (Italy) said that her Government had been contributing to UNCDF for many years and had already pledged a contribution for 1991, because it continued to believe that the Fund was able to meet needs that would not otherwise be adequately met. In that regard, her delegation believed that the Fund should maintain and even enhance its specific role, which was to channel aid to the least developed countries, bringing direct benefits to low-income and other vulnerable groups.

17. Her delegation supported the principle enunciated in paragraph 18 of document DP/1991/43 on environmental issues, to the effect that making people responsible for their ecosystem must be linked to their economic self-interest.

18. However, there were insufficient financial data in the report. More detailed information was required, particularly if the target of a 20 per cent annual increase in the Fund's resources was to be reached.

(Mrs. Longinotti, Italy)

19. Her delegation would also like more information on the criteria applied by UNCDF with respect to the granting of loans on concessionary terms and loan reimbursement, and on how UNCDF coordinated its activities with those of other lending institutions. Lastly, her delegation wished to stress that UNCDF projects must continue to be closely associated with UNDP country programmes.

20. Mr. MISSARY (Observer for Yemen) said that a 20 per cent annual increase in contributions to UNCDF was even more essential following the Gulf crisis. The Fund should play an even greater role than it had in the past, and increased resources would enable it fully to discharge its mandate and continue to implement projects, particularly in Yemen.

21. The Fund was implementing major infrastructure projects in his country to which the Netherlands was contributing, and he thanked that country for its financial support. He also thanked the Fund for its social services projects and for its relief activities following the earthquake in his country. Agricultural aid from the Fund continued to be particularly necessary for low-income population groups.

22. His country was pleased that the Fund planned to organize another mission to give a new impetus to projects in the region, where its involvement was particularly necessary following the Gulf crisis.

23. Mr. RODRIGUE (Observer for Haiti) again reiterated the prime importance of UNCDF for the least developed countries, as the supplier of capital for the implementation of small projects for and by the population.

24. His delegation wished to express its gratitude for the assistance which the Fund had provided to his country, particularly in such key areas as agriculture and health, for that support had made it possible to remedy severe problems faced by the impoverished Haitian population. The Fund had also assisted the informal sector which comprised a very high proportion of the marginal population groups of his country's large cities.

25. His delegation therefore endorsed the appeal by the Administrator of UNDP for increased resources for the Fund, which would enable it to carry out its mission at a time when an increasing number of countries were requesting its support.

26. Lastly, he recalled General Assembly resolution 45/257 calling for assistance to Haiti to help it consolidate its budding democracy, and appealed to UNCDF to provide his country with the assistance it needed.

27. Mr. HELMKE (Executive Secretary of the United Nations Capital Development Fund) noted with satisfaction, in the light of the observations made and questions posed, that delegations had given thorough consideration to the document submitted to them.

(Mr. Helmke)

28. Several delegations had expressed the view that the report of the Administrator on the United Nations Capital Development Fund had not been thorough enough. The report for the current year was shorter than in previous years only in order to comply with the rule on the limitation of documentation. Some delegations had been given answers in informal notes, but it had not been possible to reply to all questions. In particular, he noted the request of the four Nordic countries for more detailed information in the report on evaluation activities. Their request would be borne in mind in subsequent reports.

29. A number of options could be envisaged in that regard: either an official report could be submitted every two years and an unofficial report could be presented at the end of the first year, or shorter reports could be issued at the end of each calendar year, as was the practice at most financial institutions. The matter would be considered and a decision would be taken in that regard.

30. In reply to the remarks by the representative of the Netherlands, he pointed out that many project reports described the difficult circumstances in which operational staff and evaluation staff had to work in often distant regions. The disparity noted by the Netherlands representative between the logistical and other obstacles, and the high achievement rate also could be explained by the fact that during the project design stage, the Fund sought to be as realistic as possible in establishing project specifications.

31. As to the sharing of experience on project evaluation, UNCDF staff often participated in international meetings of donors or NGOs and disseminated the results of its thematic evaluations as widely as possible in both the public and the private sectors. Moreover, a UNCDF secretariat committee responsible for reviewing evaluations ensured that the information gained from experience was taken duly into account in the elaboration of new projects.

32. In reply to a question from the United States representative, he said that the average project cost in 1990 had been $2.5 million, compared with $1.9 million in 1989. Since 1990, four world projects had been approved, and the total value of each was in excess of $4 million.

33. Many delegations had inquired about the status of the Fund's finances. That was a very important point, particularly for a fund whose mandate was to provide assistance. The following measures had been taken or were envisaged in that connection.

34. Firstly, UNCDF had adopted a revised partial funding formula which made possible levels of approvals above contributions already received, on the theory that by the time project expenditures had to be allocated, the additional funds already paid would suffice to cover those expenditures. That formula had allowed a higher level of activities and had reduced accumulated

resources. That system naturally required the establishment of an operational reserve, approved by the Governing Council, representing a certain percentage of unallocated commitments.

35. Secondly, 80 per cent of the projects required funds under technical cooperation. In principle, the financial aid provided by UNCDF should be accompanied by technical assistance from UNDP. Nevertheless, sometimes funds allocated to UNCDF projects were approved even though the IPFs for technical cooperation were not yet available. It should be possible to solve that problem at the programme stage.

36. Other difficulties had arisen in executing UNCDF projects, including, logistical difficulties and the economic and social problems that some recipient countries had encountered. Those difficulties had been considered by officials from UNCDF and the Office for Project Services and it was hoped that they could be ironed out.

37. The representative of Haiti had mentioned the need for an investment programme to revive economic activity. The assistance to be provided in order to launch development projects was part of the experience acquired by UNCDF. The Fund would give careful consideration to official requests submitted to it.

38. It was, moreover, likely that at its next session, the General Assembly would grant further States LDC status, and that would surely have an impact on the financial status of UNCDF, particularly with regard to its funds.

39. Several comments should be made about the financial status. First of all, the amount of outstanding commitments had doubled between 1986 and 1990, which meant that it was necessary to provide for a signficant increase in expenditures.

40. The situation with regard to funds was the following: at the end of 1990 UNCDF had $99 million in liquid assets with an operational reserve of $53 million, or approximately $150 million in liquid assets which could be available on relatively short notice. Those amounts should be compared with the amount of outstanding commitments, $250 million, which corresponded approximately to income for two years. Those figures demonstrated the extraordinarily dynamic rate of project execution. The total amount of assistance projects approved since the establishment of the Fund, over a period of 25 years, had risen to approximately $500 million. The current amount in the Fund's financial statement was $250 million, according to relatively recent data. Those figures should be compared with the estimated expenditures for 1991, which amounted to $55 million.

41. Questions had been raised with regard to the UNCDF loan system. The Fund's secretariat intended to bring up that question before the Governing Council at its next session. To date, few loans had been granted because of

(Mr. Helmke)

the application of the criteria that had been established on a provisional basis, and the system had begun to operate only three years earlier. At the current time, loans amounting to $8 million had been approved and loans for $5 million to $6 million were under consideration.

42. The basic criteria for granting loans to least developed countries were necessarily linked to the economic situation and, in particular, the indebtedness of the country concerned. Account was also taken of the extent to which the planned project could obtain foreign currency for the country or at least help it to save its foreign currency.

43. The repayment modalities, about which the representative of the United States had asked questions, were the following: the loans were generally interest-free with a grace period of three years and payable over a period of seven years in hard currency just as they were granted in hard currency.

44. Another question, which was of increasing importance, related to assistance which UNCDF might give to Governments in the form of subsidies to enable them to set up funds for providing loans to people in remote areas. Those loans would constitute assets which the population could put to good use in order to participate actively in the development process. To achieve that objective, operations should be carried out under commercial conditions or at least ones similar to market conditions. Those loans could make an effective contribution to economic recovery.

45. UNCDF was endeavouring to lay down procedures and set up instruments which would make it possible to carry out such activities. The Fund, in particular, should strengthen the economic and financial analysis of each project and continue its evaluation efforts in new areas and in accordance with new modalities. In that regard, three internal studies had been either carried out or planned: one on the programming of activities, a second on project conception ensuring that the specific characteristics of the financial assistance required were duly taken into account, and a third study on the project execution system.

46. The Fund was convinced of the need, which had been stressed by the representative of France, to establish more regular and more intensive relations with the recipient countries and was expanding its contacts with the agencies that provided financial assistance to the least developed countries, not only within the framework of co-financing agreements, but also through the exchange of information and even expertise and personnel resources with those agencies.

47. One of the Fund's basic priorities was to encourage, in the productive sectors, income-generating activities that might promote sustained growth and development. To that end, the Fund should develop not only its own management capacities, but also those of the population, which should be involved in the local management and follow-up of activities. The Fund therefore had a role to play in developing national capacities in the field of management.

(Mr. Helmke)

48. In reply to the comment by the representative of Italy concerning environmental management, he said tht the Fund would continue to encourage participation at all levels, both for project identification and execution as well as project follow-up. UNCDF, furthermore, would continue to work at the local level with women's groups, particularly in the non-structured sector. Several delegations had asked questions about the creation of income and jobs. Although it was difficult to obtain and use statistics in that area, the Fund was interested in those questions and would provide information, in its subsequent reports, on activities to be carried out in that field.

49. Lastly, a number of delegations had referred to the discussion which had taken place on the structure of UNDP at the highest levels and changes that might result in the organization of the Fund. The information which those delegations had provided would be transmitted to UNDP and the matter would be given due consideration.

50. The PRESIDENT said that the Council had concluded the general debate on that agenda item and suggested that the Drafting Group should draw up the relevant draft decision.

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION (UNRFNRE) AND UNITED NATIONS FUND FOR SCIENCE AND TECHNOLOGY FOR DEVELOPMENT (UNFSTD) (DP/NRE/PROJECTS/REC/13 and DP/NRE/PROJECTS/REC/14)

51. Mrs. ESGUERRA (Philippines) said that the activities carried out by the United Nations Revolving Fund for Natural Resources Exploration in the Philippines had greatly assisted efforts to increase that country's capacity in the production of chromite, which in turn would enable it to promote and diversify economic development activities in remote areas. Her country was proud to have been the first to contribute to the reconstitution of the Fund's resources and was prepared to continue in that effort in order to enable other countries to benefit from it as well. Unlike other technical cooperation projects, the Fund required shared financial responsibility. Thus, countries were invited to contribute to the reconstitution of the Fund's resources.

52. Mr. ESPADA-PLATET (United States of America) noted with satisfaction that the Administrator had implemented the proposal put forward at the thirty-seventh session of the Council whereby the two Funds were to be managed by one office, while retaining their separate identities and their own mandates and modi operandi. That approach shall however be reviewed in 1993, as there was a need to determine whether the reduction of administrative costs was great enough to justify the existence of two separate funds. His delegation was glad to see that the United Nations Fund for Science and Technology for Development was now concentrating on a few priority areas. It also welcomed the close and mutually beneficial collaboration between the Fund's administration and the Centre for Science and Technology for Development. There was a need, too, for greater coordination among the various constituent parts of the United Nations system so as to avoid

(Mr. Espada-Platet, United States)

duplication. It was to be hoped that one day they would all be so well coordinated as to form one rationalized and efficient organization.

53. His delegation was pleased to learn that the United Nations Revolving Fund for Natural Resources Exploration had received a first replenishment from the Philippines for the reconstitution of its resources and was expecting another from Ecuador. At this stage, it would be premature to suppose that the viability of the Fund was established, and no final decision should yet be taken as to the continuance of the Fund as presently constituted.

54. Mr. LIU Lianke (China) said that the United Nations Revolving Fund for Natural Resources Exploration played an important role in helping developing countries make use of their natural resources. He was glad to see that the Fund's operational activities were growing rapidly, and that its technical assistance was benefiting more and more developing countries.

55. The Chinese Government had always attached great importance to the Fund's assistance activities, and had in fact participated in them. It had signed an agreement in November of 1988 on the first phase of the cooperative exploration of certain deposits. By December 1990, the two parties had completed the first-phase activities, and the second phase was under way. The Chinese Government was satisfied with the cooperation that had grown up between the two parties.

56. The United Nations Fund for Science and Technology for Development had helped developing countries carry out their technical cooperation plans and become more independent in scientific and technological development. It had contributed to the promotion of South-South cooperation and to North-South cooperative exchanges.

57. The Chinese Government was aware that scientific and technological progress was closely linked to social development. It had carried out cooperative technological and scientific activities in collaboration with certain United Nations institutions, for instance the Fund for Science and Technology for Development, which had played an important role in scientific and technological progress in China. Over the last few years, joint financing had enabled the Fund, in cooperation with China, to install high-tech nurseries. It had also played an important role in the development and implementation of leading-edge technologies in China.

58. The Chinese Government was concerned with the state of the two Funds' resources as reported by the Administrator. It would continue to support their activities and would do its best to contribute to their technical cooperation activities, while hoping that the developed countries would contribute to them financially.

59. Mr. AFANASIEV (Soviet Union) welcomed the agreement between the Ministry of Geology of the Soviet Union and the United Nations Revolving Fund for Natural Resources Exploration on cooperation in the field of geological exploration and the prospection of natural resources in certain developing countries, notably the United Republic of Tanzania. In 1990, the USSR Geology Committee had approached the Fund with a view to carrying out new projects, which was also an important step for the future. His delegation hoped that the cooperation thus initiated with United Nations agencies would continue to develop and would contribute greatly to the socio-economic development of the developing countries.

60. The Soviet delegation agreed with the conclusions of the United States regarding the need to strengthen cooperation among the various agencies of the United Nations and the Fund so as to avoid any wastage of resources.

61. Mr. TOMITA (Director, United Nations Revolving Fund for Natural Resources Exploration), responding to the statements of the Philippines, the United States and the USSR, welcomed the desire of the Philippine Government to contribute to the replenishment of the Fund's resources, but agreed with the United States representative that one example could not prove the viability of the Fund. Still, the Fund's performance had in that case been viewed favourably, even if certain countries had been sceptical. In that regard, it was difficult to reply to the criticisms as there were no other concrete examples to be cited. However, in its one and a half decades of activity, the Fund had carried through eight projects leading to the discovery of deposits worth approximately $1.5 billion. A 2 per cent levy on that amount to build up the Fund's resources would cover its expenditures for 10 years.

62. If developing countries made sufficient progress with respect to investment sufficient resources would certainly be available to the Fund for it to finance its activities from reimbursements. With respect to the single management team, he fully agreed that the system should be reviewed within two years.

63. With respect to the remarks of the representative of China, that country had been cooperating fully with the Fund, to which it was one of the principal contributors. He invited donor Governments to increase their support, for if they did not the Fund would not be able to maintain its activities. He recalled that the industrialized countries' contributions had been earmarked for basic resources, even though France, Japan, Germany and Italy had made grants for certain specific projects. Those had, however, been co-financing arrangements or trust funds. The Fund needed more basic resources.

64. With respect to the observations of the Soviet representative on strengthening cooperation within the United Nations system, he recalled that the current project approval process provided for a joint World Bank/United Nations/UNDP team to review projects so as to avoid any duplication or waste,

(Mr. Tomita)

and that that mechanism was still fully effective. He welcomed the cooperation between the Fund and the Ministry of Geology of the USSR, which had just signed the agreement regarding the United Republic of Tanzania and would each be responsible for 50 per cent of the financing of the project.

65. The PRESIDENT declared the general debate on the item under discussion closed, and proposed that the Drafting Group should draw up the pertinent draft decision.

66. It was so decided.

The meeting rose at 7.35 p.m.